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C O N F I D E N T I A L LIMA 000215

SIPDIS

E.O. 12958: DECL: 2020/02/26
TAGS: PGOV KJUS KCRM EFIN SOCI MCAP PE
SUBJECT: PRESIDENT ENDS DISCORD OVER SECURITY FORCES' COMPENSATION

CLASSIFIED BY: McKinley P.Michael, Ambassador, U.S. Department of
State, Executive; REASON: 1.4(B), (D)

¶1. (C) Summary: Compensation for GOP security forces has always
been sensitive issue, given their key role in maintaining public
security in a country where potential conflicts abound and state
presence is lacking. After several weeks of bitter political
wrangling within his administration and party, President Alan
Garcia announced on February 20 that his government would provide a
one-time bonus and a small permanent pay raise to lower ranking
members of the police and military. These compromise measures seem
to have defused most of the internal government strife without
busting the public budget. The debate to address longer term
issues such as professionalization and structural reform, however,
has been postponed. End Summary.

¶2. (SBU) Congress passed legislation earlier this year that would
have given bonuses to some 225,000 active duty and retired police
officers and members of the armed forces. The legislation called on
the Administration to use funds that had gone unspent in the 2009
budget. The legislation provoked a vitriolic debate within the
Cabinet, openly pitting Vice President Luis Giampetri against most
of the rest of the cabinet, but President Garcia decided to back
Economy and Finance (MEF) Minister Mercedes Araoz and vetoed the
bill. Congress then voted to override the President's veto,
sparking a nasty fight within the Executive Branch and the ruling
APRA Party. Congress's Permanent Committee -- which functions when
the Legislature is in recess - voted to override the veto, setting
up a possible confrontation when Congress returns March 1.

¶3. (C) In public and in private, Government Ministers and
APRA-party leaders pointedly attacked VP Giampetri, a retired
admiral who favors generous pay for security forces and at one
point implied he might quit the government over the dispute.
Giampetri publicly stated that he had requested a meeting with
President Garcia to discuss the issue but had been rebuffed so far.
Foreign Minister Garcia Belaunde, asserted that Giampietri was
"acting like a member of the opposition" and Social and Women's
Minister Vilchez called him a "traitor." Garcia later tried to
downplay the attacks against Giampietri, but most observers believe
he is in disfavor with the President.

¶4. (SBU) Aware that the full Congress would likely also vote to

override the veto and that the original legislation would cause it major problems, the Administration opted to seize the initiative. It proposed a compromise providing a bonus of 1,000 soles (about $357) for some 150,000 persons including mid- and low-ranking members of the police (46,000) and soldiers (90,000), as well as the families of police officers and soldiers killed in the line of duty. Unlike the bonus approved by Congress, the Administration's proposal does not provide payments to senior officers or retirees, except for wounded or disabled veterans.

¶5. (SBU) Garcia also announced a monthly wage increase of one hundred soles (about $36) for active duty military and police personnel and pensioners. (Giampetri earlier said this amount "wouldn't pay the electric bill".) The raise is slated to be implemented in two stages, with fifty soles added to pay checks starting in March, and the other fifty soles paid as of July. In total, the government will shell out around $140 million for the bonus and the raise. According to MINDEF Rafael Rey, the money will not come out of 2009 unused budget funds, but rather from planned infrastructure projects. (Rey clarified that funding for the GOP's counter-guerilla operations in the VRAE would not be touched.) President Garcia also set up a special commission to look into the salary issue and come up with a proposal for a new wage scale within 180 days.

¶6. (SBU) Acrimonious public debate was also building in the weeks preceding Garcia's announcement, including the threat of an April 5

strike by Peruvian National Police (PNP). Three policemen were arrested for political agitation in relation to the planned protest. Many believe that police have raw feelings in the aftermath of the June 5, 2009 violence in Bagua that left 24 of their members dead. Retired PNP Director General Eduardo Perez was quoted as saying that, "In the last government, the Judicial Branch receive a 300% salary increase, Education 100%, while the Armed Forces and PNP only 10%, with the argument that they suffer from corruption." Retirees are also reportedly unhappy that their pensions and health benefits are inadequate.

¶7. (C) Comment: Compensation for security forces is a sensitive and potentially explosive political issue. Given their key role in maintaining public security in a country where potential social conflicts abound and state presence is lacking, the morale, will and capability of security forces can mark the difference between order maintained and a situation spinning out of control. For the time being at least, the President's announcement appears to have appeased the key stakeholders while eschewing the populist easy out and passing forward major and unsustainable budget burdens to future governments. At the same time, as one prominent critic observed, the deeper challenges of security forces in the context of Peru's still brittle democracy - structural reform, professionalization, rooting out corruption - remain unaddressed. Moving proactively on this front will be a central component of the country's continuing democratic consolidation. End Comment.
McKinley